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SUBJECT: URUGUAY'S PUBLIC UNIVERSITY SYSTEM IN CRISIS

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SUMMARY  
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¶1. (U) Minister of the Economy, Daniel Astori recently stated that Uruguay must decentralize and strengthen its system of higher education or risk a faltering economy. Post analysis concurs with Astori's assessment. Statistics show that the vast majority of university-age students will never achieve a degree. Most students in the single public university, La Universidad de la Republica (UR), abandon or delay their studies due to overcrowding, strikes, and an overly-bureaucratic system. The high drop-out and delay rates cost the UR a significant percentage of its annual budget, which has consistently decreased since the early nineties. In its present form, the public university system in Uruguay does not effectively develop the nation's human capital. End Summary.

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UNIVERSITY MONOPOLY  
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¶2. (U) The University of the Republic (UR) is the only public university in Uruguay. The vast majority of students opt for the public university over a private one (88% in 2004), as the UR offers free and open enrollment, in addition to a more diverse range of programs. Private universities were not officially recognized until 1995.

¶3. (U) Those who graduate from the university are generally of excellent caliber, but most UR students never graduate. A 2004 study found that only 24% of the students who began studies completed the UR and that drop-out rates were most pronounced in the areas of study with less certainty in the job market. Consequently, careers like law, medicine, and engineering have disproportionately high representation in the university.

¶4. (U) The university's open, free, and unlimited enrollment policy is at the root of the drop-out and underachievement problem. There are no restrictions on the number of classes a student must pass or on how many he may repeat. In theory, a student retains his university status for life.

¶5. (U) Overcrowding not only stems from an unlimited enrollment policy, but also from the fact that attending a university has evolved from an educational goal into a social responsibility. This idea is now deeply ingrained in the Uruguayan social fabric and

many students enter the system without a particular goal in mind.

¶6. (U) The financial cost of drop-outs and delays in the UR is high. Between 2000 and 2003 the average cost of non-attendance of enrolled students in the public university was over \$5.5 million, about 11 percent of UR's total budget.

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STRIKES  
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¶7. (U) On December 9, 2005, the Federal Union of University of the Republic employees (AFFUR), held a strike because of a dispute with the government over the 2006 budget. The strike occurred in the middle of final exams, and although it was resolved within two weeks, the exams were rescheduled for February. Strikes occur periodically in the UR and cause delays and frustration among public university students and employees. Strikes do not occur at the private universities.

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PUBLIC SPENDING AND BUDGET IN THE UR  
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¶8. (U) Despite the UR's dominant educational role, the university does not receive adequate funding. The Uruguayan government allocates only 2/3 of the Latin American average for higher education spending. While spending on public education has increased recently, the budget for the UR has hovered at around only 2% of the national budget. Spending per student recently fell to its lowest level in the last two decades. A decrease in public spending has also weighed heavily on university employees. The average salary of a university employee has steadily decreased in real terms over the past 15 years, even during periods of national economic growth.

¶9. (U) Ironically, in order to compensate for the decrease in funding after the economic crisis, the public university began to tax its professors and graduate students. In 2002, the UR increased the tax and allocated a large chunk of this money to its own annual budget. The tax provides UR with 6% of its budget.

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COMMENT  
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¶10. (SBU) Low fertility and a high immigration rates among young Uruguayans underscore the essential need for academic achievement among those that do choose to stay in the country, attend the university, and serve as productive members of society. As the major provider of higher education, the public university must efficiently produce human capital if the country has any hope of competing in a global market or supporting a rapidly aging population that clings to a socialist economic structure. The overall economic situation cannot be improved without the support of a generation adequately equipped with professional and academic skills comparable to the rest of the world. Minister Astori's statement is essential to the future health of Uruguay's economy, but we will see if Uruguay has the will to follow his advice.

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